

Message Text

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TAGS: UNDP, EAID, OCON

SUBJECT: UNDP: ITEM 7 -- UN REVOLVING FUND FOR NATURAL
RESOURCES EXPLORATION

SUMMARY: SUBJECT WORKING GROUP FINISHED JUNE 25 TASK BEGUN
JUNE 9 WHICH ENDED WITH APPROVA OF DRAFT REPORT, MODIFICATION
OF OPERATIONS AND ORGANIZATION AND MANAGEMENT OF FUND, AND
PREPARATION OF RECOMMENDATIONS TO REVISE THE MODEL AGREEMENT.
IF APPROVED BY PLENARY ON JUNE 26, FUND WILL BECOME FULLY
OPERATIONAL WITH ADDITIONAL APPROVAL OF PROPOSED PROJECTS
IN BOLIVIA AND SUDAN. CHINA EXPRESSED RESERVATIONS ON RE-
VOLVING FUND CONCEPT FROM OUTSET AND WILL STATE RESERVATIONS
IN PLENARY ON JUNE 26. HOWEVER LDC'S GENERALLY SUPPORT
CREATION OF FUND. END SUMMARY.

1. NEGOTIATIONS ON THE APPROVAL OF THE SUBJECT FUND BEGAN
IN AN ACTIVE WORKING GROUP BEGINNING JUNE 9. AFTER TEDIOUS
NEGOTIATIONS AND ENUMERABLE POINTS OF DISAGREEMENT,
THE WORKING GROUP APPROVED ITS DRAFT REPORT ON JUNE 25.
THIS REPORT WILL COME BEFORE PLENARY AFTERNOON OF JUNE 26
AND IS EXPECTED TO BE APPROVED BY CONSENSUS. A NUMBER
OF GOVERNMENTS, PARTICULARLY CHINA, WILL EXPRESS RESERVA-
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TIONS ABOUT THE FUND OPERATIONS, PARTICULARLY THE REPLENISH-

MENT PARAMETERS OF 2 PER CENT OF VALUE OF PRODUCED COMMODITIES OVER 15-YEAR PERIOD. NEVERTHELESS, MAJORITY OF LDC DELEGATIONS APPEAR CONVINCED THAT OPERATIONAL PROCEDURES AND ADMINISTRATIVE ARRANGEMENTS FOR THIS FUND ARE NOW DRAWN SO AS TO SERVE THEIR LONG-RANGE INTERESTS.

2. THE MODEL PROJECT AGREEMENT DISTRIBUTED TO THE 138 MEMBER GOVERNMENTS OF THE UN IN MID-APRIL WAS THE SUBJECT OF THE MOST EXTENSIVE DEBATE AND NEGOTIATION. FORTUNATELY, IT WAS AGREED AT THE OUTSET THAT THE MODEL AGREEMENT WOULD NOT REPEAT NOT BE SUBJECT TO GOVERNING COUNCIL APPROVAL. NEVERTHELESS, THE APRIL DRAFT HAD BEEN DRAWN BY THE WORLD BANK LEGAL CONSUL TO THE FUND AND CONTAINED PROVISIONS ENSURING A DOMINANT, IF NOT PARAMOUNT, ROLE FOR THE FUND IN ITS FIELD OPERATIONS IN USER LDC'S. PROVISIONS RELATED TO THE DOMINANT ROLE OF THE FUND WERE THE SUBJECT OF SUBSTANTIAL MODIFICATION BY AN ACTIVE SUB-GROUP OF THE WORKING GROUP CONSISTING LARGELY OF SRI LANKA, INDIA, GHANA, JAMAICA, AND KENYA. US, CANADA, JAPAN, UK, SWEDEN, AND CERTAIN OTHER DC DELEGATIONS PARTICIPATED PERIPHERALLY IN THE MODIFICATION OF THE MODEL AGREEMENT, BUT THE POTENTIAL USER GOVERNMENTS WERE CENTRAL TO THE PREPARATIONS OF THE MODIFICATIONS MADE.

3. IN SUMMARY, WORKING GROUP APPROVED ON JUNE 25 ITS SEVEN-PAGE DRAFT REPORT WHICH TOOK INTO ACCOUNT REVISION 1 OF DP/53 DATED JUNE 12, WHICH UPDATED THE OPERATIONS, ORGANIZATION AND MANAGEMENT, AND PROJECT AGREEMENT CHAPTERS OF ORIGINAL DP/53. FURTHER, THROUGH THE ISSUANCE OF DP/L 299 OF JUNE 19, ADD. 1 OF JUNE 20, AND ADD. 2 OF JUNE 23, THE WORKING GROUP PROPOSED TO THE ADMINISTRATOR RECOMMENDATIONS FOR FURTHER REFINEMENT AND MODIFICATIONS TO THE MODEL AGREEMENT. THESE RECOMMENDATIONS WILL BE TAKEN UNDER ADVISEMENT BOTH BY THE ADMINISTRATOR AND HIS FUND DIRECTOR AS WELL AS LDC GOVERNMENTS NEGOTIATING AGREEMENTS WITH THE FUND IN FUTURE MONTHS. IT IS HOPED THAT THE PLENARY ON JUNE 26 WILL APPROVE THE DRAFT REPORT OF THE WORKING GROUP AND TAKE COGNIZANCE OF THE RECOMMENDATIONS IN DP/L 299

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WITH ADDENDA.

4. THE DEFT HANDLING OF THE WORKING GROUP ISSUES BY FARROKH PARSI (IRAN) AS CHAIRMAN AND FRED HOHLER (UK) AS RAPPORTEUR RESULTED IN THE COMPROMISE PACKAGE OUTLINED ABOVE. A FURTHER GENERALIZATION WOULD SUGGEST THAT A CENTRAL CONCERN OF LDC'S IN A NEW INTERNATIONAL ECONOMIC ERA IS THAT ASSISTANCE AGREEMENT PROVISIONS SHOULD BE FAR

MORE EQUITABLE THAN IN THE PAST AND PROVIDE A FULLER PARTICIPATORY ROLE FOR USER GOVERNMENTS. TO SAY THE LEAST, THE JAPANESE DELEGATION IS EXCEEDINGLY PLEASED WITH THE WORKING GROUP'S ACCOMPLISHMENT AND, AT THE PLENARY ON JUNE 26, THREE ACTIONS ARE CALLED FOR:

(1) APPROVAL OF DP/53/REV. 1;

(2) AUTHORIZE THE FUND TO START OPERATIONS AS REQUESTED BY GENERAL ASSEMBLY RESOLUTION 3167 (XXVIII);

(3) APPROVE PROJECTS FOR MINERAL EXPLORATION IN THE CORDILLORA DE LOS ANDES, BOLIVIA (DP/133) AND MINERAL EXPLORATION IN SUDAN (DP/136). DALE

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